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DE RUEHIN #1344 1072244
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R 172244Z APR 06
FM AIT TAIPEI
TO RUEHC/SECSTATE WASHDC 9758
INFO RUEATRS/DEPT OF TREASURY WASHDC
RUCPDOG/USDOC WASHDC
RUEHBK/AMEMBASSY BANGKOK 3234
RUEHBJ/AMEMBASSY BEIJING 5085
RUEHUL/AMEMBASSY SEOUL 7785
RUEHGP/AMEMBASSY SINGAPORE 6428
RUEHKO/AMEMBASSY TOKYO 7653
RUEHML/AMEMBASSY MANILA 9705
RUEHJA/AMEMBASSY JAKARTA 3842
RUEHKL/AMEMBASSY KUALA LUMPUR 3481
RUEHHI/AMEMBASSY HANOI 3058
RUEHBY/AMEMBASSY CANBERRA 4182
RUEHWL/AMEMBASSY WELLINGTON 1486
RUEHHK/AMCONSUL HONG KONG 6284
RUEHGH/AMCONSUL SHANGHAI 0060
RUEHGZ/AMCONSUL GUANGZHOU 9249

UNCLAS TAIPEI 001344

SIPDIS

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STATE PLEASE PASS AIT/W AND USTR

STATE FOR EAP/RSP/TC, EAP/EP

USTR FOR ALTBACH

USDOC FOR 4420/USFCS/OCEA/EAP/LDROKER
USDOC FOR 3132/USFCS/OIO/EAP/ADAVENPORT
TREASURY FOR OASIA/LMOGHTADER
TREASURY PLEASE PASS TO OCC/AMCMAHON
TREASURY ALSO PASS TO FEDERAL RESERVE/BOARD OF
GOVERNORS, AND SAN FRANCISCO FRB/TERESA CURRAN

E.O. 12958: N/A

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SUBJECT: KMT-CCP Meeting Pushes Taiwan Markets Up

¶1. During the week of April 10 - 14, Taiwan's stock market rose in anticipation of favorable results from the April 14-15 KMT-CCP economic forum. Taiwan portfolio investors started heavy trading in stocks before opening of the forum on April 15. Taiwan's stock price index rose 2.5% from 6,782 points on April 10 to 6,952 points on April 14. On April 17, Taiwan's stock price index further rose another 0.7% to a 64-month high of 7,000 points. From April 10 to 17, stock prices for tourism and construction issues shot up an average of 17% and 15%, respectively. Transport issues also reported a rise of 8%.

¶2. Foreign portfolio investors responded positively to the forum. They bought NT\$34 billion (US\$1.05 billion at the exchange rate of NT\$32.5 per USD) more in stocks than they sold in the week of April 10-14, sending their cumulative net stock purchases to NT\$106.9 billion (US\$3.3 billion) so far in April. Local institutional investors made net stock purchases of NT\$10 billion. In an interview with local reporters, Kingpo (electronic) Group Chairman Hsu Sheng-hsiung said that the PRC's opening measures will help Taiwan farms and tourism industry and drive Taiwan's stock prices up throughout this year.

Tourism Industry

¶3. A liberalized policy to allow PRC nationals to tour Taiwan will directly benefit Taiwan's tourism industry, despite the many remaining restrictions on such tourist trips. Taiwan's Tourism Bureau (TB) estimates that annual spending by PRC tourists in Taiwan may reach NT\$19.5 billion (or US\$600 million) based on the 1,000

arrivals per day limit set by the PRC, and an average stay of seven days. The Taiwan Tourism Association (TTA) is more optimistic than the official estimate, predicting increased revenue of NT\$30 billion. PRC tourism would boost spending at hotels, department stores, recreational resorts & facilities, and transport companies.

Complaints

14. The stock market rise indicates that a number of people are willing to place a bet on increased tourism across the Strait. However, Taiwan tourist agents have complained that the PRC may reject Taiwan tourist agents that have not been "cooperative" with the PRC in the past.
YOUNG